

# **THE LEONARD LETTER**

*A weekly electronic newsletter about  
California government, business and taxes  
Bill Leonard, Member  
State Board of Equalization*

*May 30, 2006*

## **QUOTE OF THE WEEK**

*“O thus be it ever when free-men shall stand  
Between their lov'd home and the war's desolation;  
Blest with vict'ry and peace, may the heav'n-rescued land  
Praise the Pow'r that hath made and preserv'd us a nation!  
Then conquer we must, when our cause it is just,  
And this be our motto: “In God is our trust!”  
And the star-spangled banner in triumph shall wave  
O'er the land of the free and the home of the brave!”  
Last Verse of the Star-Spangled Banner*

## **UNDER THE DOME**

### **\*\*\*Mexico Comes to America, Again\*\*\***

*From the Bill Leonard Blog 5/26/06*

The President of Mexico spoke to a joint session of the California legislature Friday morning. Speaker Nunez had graciously invited me to attend, but I declined. I did not boycott the speech; I just had better things to do. I was working on office email when Jon Fleischman reminded me that the speech was being webcast. (<http://www.calchannel.com/> is a great place to be entertained by the hijinks of the legislators). So, I turned to President Fox's speech. I listened for about a minute. It reminded me of a Saturday Night Live satire skit of all the empty phrases that a foreign dignitary would say when speaking in America. Maybe the speech was better in Spanish before it was translated by the Harvard-trained Mexican president, but I doubt it. Yes, the U.S. has problems (one large problem is the millions of illegal aliens in our country) but even so, I would rather be in the U.S. than Mexico. I had great hopes for this new president six years ago after he broke the monopoly of the leftist political party and likened it to the Republican takeover of the U.S. House of Representatives in 1994. Needless to say the now veteran Mexican president did not deliver and the Mexican economy and civil rights are dismal by U.S. standards. Which begs the question, will the U.S. have to save Mexico in order to protect itself?

## **AROUND THE STATE**

### **\*\*\*Big Time Change for BOE\*\*\***

*From Bill Leonard Blog 5/23/06*

I know I serve in the lowest profile important elected office there is so I should not be surprised when media coverage underplays the significance of the Board of Equalization. Nonetheless, recent articles (for example, see the LA Times piece at the following link)

<http://www.latimes.com/news/local/la-me-taxboard20may20,1,3977087.story?coll=la-headlines-california>

about the upcoming elections have ignored the potential for great change on the Board this year. We will see the greatest change on the Board since at least 1974. Four of the five members will be newly-elected. Partisan control might change for the first time in three decades.

Also, control of the Board will be determined by the Controller's race, so there could be substantial change if a Republican is finally elected to that position. Even if Joe Dunn is elected, the change will be dramatic. Be prepared for Dunn to promote a very activist liberal agenda on the Board, the likes of which we have not seen in decades.

As just one more example of change, there is a very real possibility that we could have three Chinese-Americans and a Korean-born American on the Board of Equalization next year. While I normally do not spend much time on such irrelevant statistics, I admit that it would be a quite noticeable change to transition from a 4-to-1 Caucasian majority to a 4-to-1 Asian majority. It will not impact the votes, but in a state rife with discussions about diversity and the role of immigrants, it is noteworthy.

### **\*\*\*Each and Every Vote Counts\*\*\***

California's primary election day is approaching. If you have not yet voted by absentee ballot, please do so soon or plan your time on June 6<sup>th</sup> so you can get to the polls. Lest you think that your one vote will not make a difference, consider candidate William Crawford, candidate for Erie County Democratic Party in north Ohio earlier this month. The race ended in a tie and Crawford learned that neither of his voting age sons bothered to vote. One son lives across the street from dad and the other is a college student still living at home.

### **\*\*\*Reminder: People are the Ultimate Resource\*\*\***

I am pleased there has been meaningful discussion about immigration, in which a clear popular majority in favor of a secure border has emerged. Whether it happens with this Congress is not yet clear. It is obvious to all that lawless immigration offends the American people. However, I do not sense that allowing more people into the U.S. legally is unpopular. This is a good thing.

In the May 23 National Review Online, William Kucewicz points out that unless the U.S. imports more people, we are going to face a shortage of working adults when baby boomers pass into retirement. According to census data, for the first time in our history, the number of elderly is approaching the number of youngsters. The U.S. Census Bureau estimates that by 2030, there will be about 95.1 million Americans under 19 versus some 71.5 million 65 and older. Kucewicz argues that what is more significant is the ratio of workers to retirees is trending down

from the current 4.7 to 1 to 3.5 to 1 by 2040. This projection includes immigration based on current law. Krucewicz also points out that the Social Security and Medicare trustees warn that by 2040, Social Security will only be able to pay 74 percent of its promised benefits. By 2018, Medicare will only be able to pay 80 percent.

The Heritage Foundation analyzed one of the pending immigration bills before Congress. Assuming a 20 percent maximum annual growth in guest workers permitted under the bill, this will yield about 60.7 million new arrivals over the next 20 years. This falls way short of the 109 million people in the 20-64 age bracket needed by 2026 to maintain the current 4.7 to 1 ratio of workers to retirees. But a lower ratio might serve us just as well given a rise in productivity, so around 60 million new arrivals may be just the ticket --- this would put the ratio around four workers per retiree.

Kucewicz closes with an homage to Julian Simon, author of *The Ultimate Resource*: “More people, working more efficiently is the ultimate solution to the nation’s looming economic, fiscal, and demographic difficulties.”

The full text can be found here:

<http://article.nationalreview.com/?q=YjVhZDI5MDg4MGNkMzVINTlIMWZmMGQyMTZmOGlwZmE=>

## ISSUE FOCUS

### **\*\*\*Lessons from Katrina\*\*\***

Recently one of my staff members traveled to the Gulf Coast of Mississippi to help Rotary District 5330 (Inland Southern California) build a community center for a city that had been 85% destroyed by hurricane Katrina and the floodwaters it brought. The photos, stories and lessons she brought back reminded me of our limited capacity to understand a natural disaster even so close to home. Since the Gulf Coast is not so much in the news anymore, we assume that the area has “gotten over” the devastation. However, to someone who did not go through the storm or see the immediate aftermath, the area looks as if it was hit yesterday. There are still mounds of debris and houses that look like so many piles of matchsticks even after nine months. The twisted metal, tall tree tips wrapped with wreckage and seashells that were dumped far inland speak to the continuing need for help in that region.

The people of the Gulf Coast are strong, resilient, hard working, faithful and grateful. Those who have remained or returned are doing everything they can to rebuild their lives there, and they are helped by private organizations and faith-based groups. The municipal governments in the region are rebuilding, too, but they struggle with loss of residents and tax bases that have been destroyed. In one city hall hit hard by storm surge, tax records still lay on the floor, soaked through and molded over. There was so much destruction and there are now so many things to do that salvaging those most basic of government records has not made it to the top of the priority list yet. People often turn to government in times of need, but life post-Katrina teaches us that government is not magic. When disaster strikes, preparedness only goes so far. In the immediate aftermath and recovery of a disaster of this magnitude, people must rely on

themselves, turn to extended family and welcome the help of organizations like Rotary, the Red Cross, churches and the generosity of private companies. If you are feeling generous this summer, send more help to the people of the Gulf; it is much needed still.

## **MISCELLANY**

### **\*\*\*California County History\*\*\***

The Second District of the Board of Equalization includes portions of Los Angeles County—the far eastern edge of the San Gabriel and the Santa Clarita and Antelope Valleys. L.A. County was one of the 27 original counties in California, created in 1850. The name literally translates to “the angels,” but it is shorthand for the name of the original town site established by 44 settlers from the San Gabriel Mission: Pueblo del Rio de Nuestra Senora la Reina de Los Angeles de Porciuncula (the Town of the River of Our Lady, Queen of the Angels). The Pueblo became the city of Los Angeles but you can see the original town site at Olvera Street near downtown L.A. One of the most important and politically intriguing aspects of Los Angeles’s history is how William Mullholland brought water to the otherwise arid area beginning in 1913. He built the 223-mile aqueduct to move water from the Owens Valley to the San Fernando Valley. By 1928, the Owens Lake was dry, and Mullholland’s career was over after his St. Francis dam failed. The ensuing flood sent 12.5 billion gallons of water through the Santa Clarita Valley. The town of Santa Paula was buried under 20 feet of mud and debris, and the death toll was 450. Before the engineering disaster, Mulholland had been considered a shoo-in for L.A.’s mayor, but he declined to run, saying, “I’d rather give birth to a porcupine.”

### **\*\*\*A Good Read\*\*\***

When people ask me how to effectively lobby in Sacramento, I often tell them that they need a good story. I have often seen committee hearings turn not on fact or logic, but on a well-spun, emotionally evocative tale. It is human nature to be moved by such stories; we have been trained from the fairytales we were told in childhood to expect a beginning, a middle and an end, and then be able to infer the “moral of the story.” Donald N. McCloskey’s book “If You’re So Smart: The Narrative of Economic Expertise” warns us about the stories economists tell. McCloskey reminds us that not everything in human affairs has a neat ending like our fairytales and novels. He cautions that most storytelling formats are too limiting for the complexity of economics. For example, he looks at Britain’s reaction to German’s growing industrial performance in the 1880s. (If that seems too remote for you, consider today’s coverage of the U.S. vis a vis China’s rising economic power.) He quotes an economist who wrote, “...Germany’s gains still left her far behind Britain as a commercial power...” McCloskey says this economist was not thinking critically: “The metaphors of disease, defeat, and decline are too harshly fixated on Number One to be right for an economic tale. The Lombardi motto governs narrowly defined games well enough. Only one team wins the Super Bowl. The fixation on Number One, though, forgets that in economic affairs, being Number Two, or even Number Twelve, is very good indeed.” McCloskey demonstrates how “the way of telling stories, then, shapes one’s opinion...” Most refreshing about McCloskey’s explanation are his references to God. His spiritual outlook agrees with my belief that reducing human behavior to a formula and then seeking to predict future behavior based on that formula ignores the divine complexity with

which we have been endowed. McCloskey does not expect economists (nor historians or politicians for that matter) to stop telling stories, but “what we need from our experts is less pretended omniscience and more real wisdom, wisdom to tell stories testing metaphors and to frame the metaphors that test the stories.”

## **BOE AND LEGISLATIVE DATES**

**May 30, 2006** --- Last day to apply for an absentee ballot for the June 6<sup>th</sup> primary election.

**June 6, 2006** --- Primary election.

**June 13-14, 2006** --- BOE meets in Culver City.

**June 15, 2006** --- Budget bill must be passed by the legislature by midnight.

**June 27-28, 2006** --- BOE meets in Sacramento.

**June 29, 2006** --- Last day for a legislative measure to qualify for the general election (Nov. 7) ballot.

**July 4, 2006** --- Independence Day.

**July 18-19, 2006** --- BOE meets in Sacramento.

## **NOTABLE DATES/ HISTORY**

**May 30, 1431** --- At Rouen in English-controlled Normandy, Joan of Arc, the peasant girl who became the savior of France, was burned at the stake for heresy.

**May 31, 1678** --- Lady Godiva rode naked through Coventry in a protest of tax increases.

**June 1, 1813** --- In the War of 1812, naval commander James Lawrence, fatally wounded, told his men “to fire faster and not to give up the ship,” which became the source of the motto “Don't give up the ship.”

**June 1, 1942** --- The Liberty Brigade, an underground newspaper in Warsaw, made public the news of the gassing of tens of thousands of Jews at Chelmno, a death camp in Poland.

**June 1, 1968** --- Helen Keller died in Westport, Connecticut, at the age of 87.

**June 2, 1912** --- Carl Laemmle merged his movie studio, the Independent Motion Picture Company (IMP), with several others, creating Hollywood's first major studio, Universal.

**June 3, 1864** --- Union General Ulysses S. Grant ordered a frontal assault on the Confederate army at Cold Harbor. He later acknowledged this as his greatest mistake. There were more than 7,000 Union casualties in less than one hour of fighting.

**June 4, 1942** --- Near the Pacific's Midway Islands, American and Japanese air and sea forces began the three-day Battle of Midway.

**June 4, 1989** --- The Chinese army cracked down on student protestors who had been gathering in Beijing's Tiananmen Square to demonstrate for democracy.

## GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115  
TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

## HOW TO CONTACT ME

Bill Leonard, Member  
State Board of Equalization, Second District  
Email: [bill.leonard@boe.ca.gov](mailto:bill.leonard@boe.ca.gov)

Northern California Office:

400 Capitol Mall, Suite 2340  
Sacramento, CA 95814  
Telephone: (916) 445-2181  
Fax: (916) 327-4003

Southern California Office:  
4295 E. Jurupa Ave., Ste. 204  
Ontario, CA 91761-1428  
Telephone: (909) 937-6106  
Fax: (909) 937-7044